

EXECUTIVE SUMMARY

This report constitutes the State Air Resources Board (ARB or Board) guidelines for the coordinated implementation of three zero emission vehicle (ZEV) incentive programs. One program is an existing program, the original \$18 million statewide ZEV incentive program authorized by Assembly Bill 2061 (AB 2061, Statutes of 2000, Chapter 1072, Lowenthal). In addition, the Legislature approved \$20 million in funding in the fiscal year 2001-2002 State Budget (Budget Act of 2001) for two new ZEV incentive programs. These three programs make grants available to consumers for the purchase or lease of eligible ZEVs during overlapping time periods, beginning October 1, 2000 and extending through June 30, 2004.

Originally, \$38 million in total funding was appropriated for these three programs. However, the Administration Budget for 2001-2002 has reduced the original Lowenthal authorized program funding by \$11.2 million and the fiscal year 2001-2002 State Budget funding by \$6.8 million. This reduces the total available funding from \$38 million to \$20 million.

This report is organized in two parts. Part I contains guidelines for implementing two distinct, but similar, ZEV incentive programs. Part II contains guidelines for a unique fleet incentive program. Specifically, Part I-A contains revisions for the existing statewide ZEV incentive program authorized by AB 2061, which staff will refer to as "ZIP I". Part I-B contains guidelines for implementing the first of the new ZEV incentive programs funded by the Budget Act of 2001. As discussed above, funding was appropriated to provide additional grants for ZEVs through June 2004; staff will refer to this program as "ZIP II". Part II contains guidelines for the implementation of the second new ZEV incentive program for fleets operated primarily in areas of California with the poorest air quality. Staff will refer to this program as "Fleet ZIP."

Both ZIP I and ZIP II provide grants for new eligible ZEVs on a first-come-first-served basis. ZIP I provides greater grant amounts per vehicle, but is a more focused program. ZIP I grants remain available for eligible new zero emission passenger cars and trucks only through December 2002. ZIP II grants will be available for a greater variety of ZEVs and will be available through June 2004. Staff will implement both programs in a coordinated and seamless manner so that a single, expanded statewide ZEV incentive program will serve consumers. The Program Manager, application form and approval process will be the same for both programs. The Program Manager will ensure that the consumer receives the maximum grant amount available at the time of purchase or lease.

The Fleet ZIP (Part II) provides the highest award amounts. The Legislature directed the Air Resources Board to award these grants through a competitive process. The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities.

Part I-A. A Revised Zero Emission Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (ZIP I)

Part I-A contains proposed guidelines that incorporate and revise Guidelines for a Zero Emission Vehicle Incentive Program Pursuant to Health and Safety Code Sections 44260-44265 (AB 2061, Statutes of 2000, Lowenthal) that were approved by the Board at its December 7, 2000, public meeting and released by staff in February 2001. Originally authorized by AB 2061, this program provides grants up to \$9,000 for the purchase or lease of new zero emission passenger cars or trucks between October 1, 2000 and December 31, 2002. AB 2061 specified that only vehicles capable of operation on freeways, also referred to as full-function vehicles, are eligible for grants. AB 2061 also provided a calculation method for determining a maximum available grant and provided instructions on the distribution of the grant. A status report on the implementation of this program through December 2002 is provided in Appendix I-G. The program was recently modified by Assembly Bill 1390 (AB 1390, Statutes of 2001, Chapter 763, Firebaugh), effective January 1, 2002. The revisions to the guidelines address required AB 1390 program modifications as well as several changes proposed by staff.

AB 1390 expanded eligible applicants to include public agencies. This change will allow federal agencies and entities, previously excluded by AB 2061, to qualify for grants. AB 1390 also gives ARB the ability to reserve, allocate and reallocate funds to any eligible grant recipient. The ARB is to periodically review grant applicants and the award of grants to ensure, to the greatest extent possible, that all grant funds are used. The ARB may also reduce the grant amount or eliminate the grant if the applicant receives a grant from either of the two new ZEV incentive programs.

Staff's approved changes include an additional criterion for vehicle eligibility that requires that vehicles be covered by a manufacturer warranty on the power train and battery pack for a minimum of 36 months.

Part I-B. A Zero Emission Vehicle Incentive Program Pursuant To The Budget Act of 2001 (ZIP II)

Part I-B contains guidelines for implementing a new ZEV incentive program, ZIP II, funded by an appropriation from the Budget Act of 2001. The appropriation is available for expenditure through June 2004 and may be used to provide grants

of up to \$5,000 per vehicle pursuant to criteria established by the ARB. ZIP II will be implemented statewide and administered in coordination with ZIP I. However, ZIP II provides grants for a greater variety of ZEVs than are eligible in ZIP I. ZIP II will not be administered retroactively therefore new eligible ZEVs must be purchased or leased after the date of Board approval of these guidelines and on or before June 30, 2004, to be eligible for the ZIP II program.

Staff will use a common application and approval process for ZIP I and ZIP II. The availability of ZIP I and ZIP II grants will overlap during 2002. A ZEV meeting the eligibility criteria for both a ZIP I and ZIP II grant during 2002 will be awarded the greater grant amount. After December 31, 2002, and through June 2004, only ZIP II grants may be awarded.

For ZIP II, individual ZEV models will be placed in one of several categories for the purpose of determining vehicle eligibility and the grant amount. The vehicle categories are: Full-Function ZEVs (FFEVs), City ZEVs (CEVs), Neighborhood ZEVs (NEVs), and Zero Emission Motorcycles (ZEMs). Because NEVs are a low-cost compliance strategy for the ZEV regulations, they would not be eligible for ZIP II grants unless the manufacturer volunteers to give up ZEV regulatory credit. The ZEM category is limited to fully-enclosed, 3-wheel motorcycles. Staff will subdivide the ZEM category, if needed, into freeway-capable and non-freeway ZEMs for purposes of establishing grant amounts.

As in ZIP I, eligible vehicle models will be determined on a case-by-case basis. Vehicle eligibility criteria include certification by ARB as a New Zero Emission Vehicle, compliance with all applicable Federal Motor Vehicle Safety Standards (FMVSS), and a minimum 36-month manufacturer warranty on the vehicle power train and battery pack. The proposed grant amounts range from \$1,000 up to \$5,000 per vehicle.

For either a ZIP I grant or ZIP II grant, the applicant may choose to accept the grant directly or to assign the grant payment to a participating lessor. When the applicant accepts direct payment of the ZIP I grant, it is paid in three equal annual allotments, consistent with AB 2061. The ZIP I grant may not be assigned to the vehicle dealer when the vehicle is purchased. However, the smaller ZIP II grant will be distributed in one payment. The applicant will also have the option of assigning the ZIP II grant to a participating dealer for a vehicle purchase as well as a vehicle lease.

Part II. A Zero Emission Vehicle Incentive Program For Fleets That Operate In Areas of California With the Poorest Air Quality

In the Budget Act of 2001, the Legislature appropriated funding to establish a new ZEV incentive program for fleets operating in areas of California with the poorest air quality. The direction for the program is specified in both Assembly

Bill 1390 (2001, Chapter 763, Section 44260) and authorizing Budget Language (Zero Emission Vehicle Program, Fiscal Year 2001-2002). The competitive process gives preference to those fleets that will primarily use the vehicles in communities that suffer from greater exposure to poor air quality, including low-income and minority communities also known as environmental justice (EJ) areas.

The Fleet ZIP has the following four program goals:

- Provide ZEV incentives for vehicles operated in fleets located in the geographical areas of the State with the poorest air quality;
- Deploy ZEVs in communities that suffer from greater exposure to poor air quality, including low-income and minority communities;
- Encourage projects that showcase ZEV technology to communities, or include education on the benefits of ZEV technology, so that all communities, especially low-income and communities of color, can take a more active role in decisions affecting their local air quality; and
- Promote Full-Function ZEVs or ZEVs with full function characteristics.

The Fleet ZIP will be implemented at the state level by ARB, in conjunction with Program Partners and Program Sponsors. An ARB-appointed Program Manager will oversee the implementation of the Fleet ZIP. Program Partners will be public agencies that agree to work with the ARB Program Manager and assist in the implementation of the program in their jurisdictions. Program Partners may include local air pollution control or air quality management agencies. Program Sponsors will be organizations that support the program in a variety of ways, including outreach activities and fleet evaluation of interested applicants. Program Sponsors may include automakers, electric utilities with electric vehicle programs, environmental groups, or community groups.

The Fleet ZIP is divided into three stages: pre-solicitation, solicitation, and grant allocation. The goal of the pre-solicitation is to inform interested fleets, public agencies and community organizations about the benefits of ZEV technologies and funding opportunities available under the program. The solicitation process will begin with a public notice announcing the opening of the grant solicitation period. All interested parties must submit an official application form along with required information on the proposed project. The Program Manager will screen all applications for completeness and determine eligibility for all complete applications. Eligible applicants will be public agencies, businesses or corporations authorized to conduct business in California, non-profit organizations, estates and trusts. Individuals will not be eligible. All eligible proposals will be evaluated and scored using objective criteria by Program Partners and a Technical Review Committee consisting of ARB staff and managers with expertise in the areas of environmental justice, public education, sources of air pollutant emissions and grant management. Proposals will be categorized as Community Projects or Fleet Projects. The same ranking process will be used to evaluate both types of projects and will allow projects of similar

scope to be evaluated comparably. Table I below summarizes eligibility criteria and considerations in project evaluation.

Table I: Fleet ZIP Project Eligibility Requirements and Evaluation Criteria

Criteria	Project Eligibility Requirement	Project Evaluation Criteria
Eligible Applicant	Yes	
Eligible Fleet	Yes	
Nonattainment Area	Yes	
New Eligible ZEV	Yes	
Environmental Justice Criteria	Yes	
Project Administration (<i>Fleet Projects only</i>)	Yes	
Vehicle Miles Traveled		Yes
Public Education		Yes
Program Partnerships		Yes
Vehicle Use/Application		Yes

Implementation Schedule

These guidelines were approved by the Board on April 25, 2002. A summary of the eligible vehicle categories and grant amounts is provided in Table II. A potential implementation schedule is provided in Table III.

Table II: Summary of ZEV Incentive Programs

Vehicle Category	Earns ZEV Regulatory Credit	Grant Amount		
		ZIP I	ZIP II	Fleet ZIP
		10/2000-2002	5/2002-2004	5/2002-2004
Full Function ZEV	Yes	Up to \$9,000	\$5,000	\$11,000
City ZEV	Yes	None	\$3,500	\$5,000
Neighborhood ZEV	Yes	None	None	None
	No, per manufacturer option	None	\$1,000	\$1,500
Zero-Emission Motorcycle (ZEM)	No	None	Up to \$2,000	Up to \$3,000

Table III: Proposed Implementation Schedule

Date or Time Period	Action Item
April 25-26, 2002	Guidelines approved at ARB public meeting
Current - Dec. 31, 2002	Applications and voucher requests accepted for ZIP I grants authorized by AB 2061
May 1, 2002 – June 30, 2004	Applications and voucher requests accepted for ZIP II grants funded by Budget Act of 2001
May - October 2002	Pre-Solicitation Workshops For First Fleet ZEV Grant Solicitation
December 2002 - February 2003	First Solicitation Period
March 2003	Selection of Fleet Proposals from First Solicitation
April 2003	Annual Status Report on ZEV Incentive Programs
April - May 2003	Pre-Solicitation Workshops For Second Fleet ZEV Grant Solicitation (tentative)
June - July 2003	Second Solicitation Period (tentative)
August 2003	Selection of Fleet Proposals from Second Solicitation (tentative)
April 2004	Annual Status Report on ZEV Incentive Programs

